

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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|---------------------------------|---|-----------------|
| THE APPLICATION OF COLUMBIA GAS |) | |
| OF KENTUCKY, INC. FOR AUTHORITY |) | |
| FOR THE ISSUANCE AND SALE OF |) | CASE NO. 96-502 |
| REFINANCING PROMISSORY NOTES |) | |

O R D E R

On November 15, 1996, as amended November 20, 1996, Columbia Gas of Kentucky, Inc. ("Columbia") filed its application seeking authority to borrow from its parent, The Columbia Gas System, Inc. ("System"), up to \$54,500,000 and to issue and sell to System such principal amount of Promissory Notes. On January 9, 1997, Columbia reduced its requested financing authority to \$41,500,000.

System emerged from Chapter 11 bankruptcy on November 28, 1995. As part of the court approved plan of reorganization, System refinanced all of its outstanding long-term debt. The effective aggregate interest cost, including associated issuance costs, approximates 7.52 percent. Columbia originally contemplated refinancing all debt issued before the end of 1996; however, it now seeks to refinance only the debt issued before August 21, 1996. The new Promissory Notes will be dated the date of their issue and will have maturities of up to 30 years. The notes will be issued pursuant to the loan agreement with System dated August 21, 1996. The weighted average aggregate interest cost will not exceed 7.52 percent.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the issuance and sale by Columbia of up to \$41,500,000 in securities are for lawful objects within its corporate purposes, are necessary and appropriate for and consistent with the proper performance of its service to the public, are reasonably necessary, and appropriate for such purposes, and should therefore be approved.

IT IS THEREFORE ORDERED that:

1. Columbia is hereby authorized to borrow from System up to \$41,500,000 and to issue and sell to System such principal amount of Promissory Notes in the manner set forth in the application.

2. Columbia shall, within 30 days after the issuance of the securities referred to herein, file with the Commission a statement setting forth the date or dates of issuance of the securities authorized herein, the price paid, the interest rate, the terms and all fees and expenses involved in the issuance and distribution and the use of the proceeds.


3. Columbia shall agree only to such terms and prices that are consistent with said parameters as set out in its application.

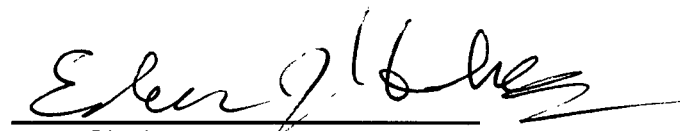
4. The proceeds from the transactions authorized herein shall be used only for the lawful purposes set out in the application.

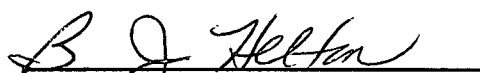
Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 14th day of January, 1997.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director